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No. 99-925

In the Supreme Court of the United States

INTERSTELLAR STARSHIP SERVICES, LIMITED and MICHAEL R. TCHOU,

Petitioner,

v.

EPIX, INC.,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

RESPONDENT'S BRIEF IN OPPOSITION

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PARTIES TO THE PROCEEDINGS

Petitioner is Interstellar Starship Services, Limited (ISS) and Michael R. Tchou (TCHOU). TCHOU is believed to be a U.S. citizen residing in Oregon. At the time of filing this lawsuit, TCHOU was a full-time employee of Intel Corp. (INTEL), which is a publicly held corporation. ISS is believed to be an Oregon corporation that was incorporated by TCHOU during the time of his employment by INTEL and is believed to be wholly owned by TCHOU. INTEL is not a party to this suit.

Respondent, EPIX, Inc. (EPIX), is a Delaware corporation that has no parent corporation and no public company owns 10% or more of its stock.

TABLE OF CONTENTS

PAGE

PARTIES TO THE PROCEEDINGS i

TABLE OF CONTENTS ii

TABLE OF AUTHORITIES iv

STATEMENT OF THE CASE 1

REASONS FOR DENYING THE WRIT 5

I. THE FEDERAL COURTS DO NOT HAVE JURISDICTION UNDER THE LANHAM ACT OVER INTERNET DOMAIN NAME REGISTRATIONS 5

II. THE DISPUTE POLICY APPLIED TO DOMAIN NAME REGISTRATIONS BY NSI CONSTITUTIONALLY EFFECTS DE FACTO CHANGES IN TRADEMARK LAW 8

III. THE IMPLEMENTATION AND USE OF THE DOMAIN NAME DISPUTE POLICY ARE ACTIONABLE TORTS CHARGEABLE AGAINST GOVERNMENT EMPLOYEES AND PRIVATE PARTIES THAT USE IT 8

IV. FEDERAL COURTS CANNOT PROPERLY INSTITUTE A DOCTRINE OF "INITIAL CONFUSION" AND APPLY IT TO THIS CASE 10

V. INADMISSIBLE HEARSAY CANNOT BE USED TO DEFEAT A MOTION FOR SUMMARY JUDGMENT OF NON-INFRINGEMENT OF A TRADEMARK 12

VI. COMPUTER SERVER LOGS, WITHOUT MORE, ARE NOT ADMISSIBLE TO SHOW LIKELIHOOD OF CONFUSION 13

VII. A MARK IS "ADOPTED" WHEN GOODS OR SERVICES TO WHICH IT HAS BEEN APPLIED ARE PLACED IN COMMERCE 14

VIII. UNDER THE CONSTITUTION, A DEPONENT CANNOT BE ORDERED TO DISCLOSE A TRADE SECRET KNOWN TO BUT NOT OWNED BY THAT DEPONENT WHEN THE ALTERNATIVES THEN BECOME THE COMMISSION OF A CRIME TOGETHER WITH CIVIL LIABILITY OR A CHARGE OF CONTEMPT OF COURT 14

IX. THE PROPER STANDARD FOR IMPOSING ATTORNEY FEES AGAINST A NON-PREVAILING PLAINTIFF IS THAT WRITTEN AS TO NON-PREVAILING PLAINTIFFS (sic) 15

X. LITIGATION-RELATED ACTIONS OF A PARTY ARE NOT "REASONABLE" BY DEFINITION SIMPLY BECAUSE THEY WERE CARRIED OUT UNDER ADVICE OF COUNSEL 16

CONSTITUTIONALITY OF THE ANTICYBERSQUATTING CONSUMER PROTECTION ACT 17

CONCLUSION 19

TABLE OF AUTHORITIES

CASES **PAGE(S)**

Brookfield Communications v. West Coast Video, 174 F.3d 1036, 50 USPQ2d 1545 (CA9, 1999) 11

Fogerty v. Fantasy, Inc., 127 U.S. 517, 114 S. Ct. 1023, 127 L. Ed. 2d 455 (1994) 16

Lockheed Martin Corporation v. Network Solutions, Inc., 44 USPQ2d 1865, 1997 WL 732899 n.3 (C.D. Cal. 1997) 9

Mobile Oil Corp. v. Pegasus Petroleum Corp., 818 F.2d 254 (CA2, 1987) 11

Panavision Intern., L.P. v. Toeppen, 141 F.3d 1316 (CA9, 1998) 1

W.W.W. Pharmaceutical Co. v. Gillette Co., 808 F.Supp. 1013 (S.D.N.Y. 1992) 16

STATUTES

15 U.S.C. §1114(a) 10

15 U.S.C. §1125(a) 10

15 U.S.C. §1125(c) 7

15 U.S.C. §§1114 and 1125, Lanham Act 3, 5, 6, 7, 9, 10

18 U.S.C. §§1831-1833 15

Title III, §3001, *et seq.* of the *Intellectual Property and Communications Omnibus Reform Act of 1999, Anticybersquatting Consumer Protection Act* 4, 7, 17, 18, 19

RULES

37 C.F.R. §2.161-§2.166 1

Federal Rules of Evidence, §803(2)(A) 12

Federal Rules of Evidence, §803(6) 12

STATEMENT OF THE CASE

EPIX pioneered in engineering and developing personal computer video image capture boards and software for image analysis, manipulation and transmission. Its products are used by engineers and artists to record, save, retrieve, display, enhance, edit and print pictures taken with a video camera or other electronic imaging source—such as the INTERNET.

EPIX began using the trademark **EPIX** on its printed circuit boards and computer programs for image acquisition, processing, display and transmission in 1984 and has since continuously used it to identify its products. It is the owner of Trademark Registration No. 1,618,449 for **EPIX** in Class 9 that was issued in 1990. EPIX's §8 and §15 affidavits[1] of use and incontestability have been accepted by the Patent & Trademark Office.

On January 25, 1995, when the INTERNET was first becoming commercialized and while TCHOU was a full-time employee of INTEL, TCHOU registered the INTERNET domain name **<epix.com>**[2] with Network Solutions, Inc. (NSI). INTEL was then and is now EPIX's largest competitor for personal computer video image capture boards and related software. Later, on May 25, 1995 and while still an INTEL employee, TCHOU registered ISS as a corporation under Oregon

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[1] 37 C.F.R. §2.161-§2.166.

[2] The full domain name as used on the INTERNET is **http://www.epix.com**. See *Panavision Intern., L.P. v. Toeppen*, 141 F.3d 1316 (CA9, 1998) for a description of INTERNET domain names and how they are used.

law. Subsequently, TCHOU registered **epix.com** as an assumed name for ISS, opened a checking account in the name of **epix.com** and filed trademark registration applications for **epix** and **epix.com**.

EPIX was unable to find any use of the **<epix.com>** domain name on the INTERNET until mid-1996—when it discovered a web page containing information about the *Clinton Street Cabaret* and the *Rocky Horror Picture Show* including the mark **EPIX.com** and **epix** used in conjunction with captured video images and video image processing software. Later, TCHOU added the following statements to his web pages:

> *The original ISS Ltd* (sic) *specialized in the development of hardware and software for use by companies involved in the computer graphics (and electronic imaging) industry.*
>
> . . .
>
> *The EPIX.COM web presence server is used mainly as a temporary storage location for products (binary files) produced by engineers at ISS Ltd* (sic) *to fulfill our customers' needs and specifications. These files might be software, source code, images, data, or any of a number of intangible goods that can be represented as files on a computer.*
>
> . . .
>
> *Trivia: Original photos were taken with regular print (color negative) film. Color (positive) transparencies were made by Dale Labs in Hollywood, Florida. Scanning (of the transparencies) was done using a Nikon LS-3510AF. Original epix were scanned at 9.5 MBytes resolution. After-scan digital image processing was done using using* (sic) *Adobe Photoshop 3.04 and*

> *proprietary epix.com pixel manipulation (bit-twiddling) tools.*

These statements are clearly inconsistent with Petitioner's following description in its *Statement Of The Case*:

> *The web pages at the epix.com web site serve principally to publicize a Portland, Oregon, theater group at the Clinton Street Cabaret in putting on live performances of the Rocky Horror Picture Show, and for that purpose it "bit twiddles" the images of actors shown.*[3]

EPIX believed that its trademark was being infringed. It sought advice from its attorney, who gave his opinion that the **EPIX®** trademark was being infringed. EPIX then wrote several complaint letters to NSI for the purpose of implementing NSI's *dispute policy*.[4]

Under NSI's rules, the owner of a Registered Trademark is entitled to request that a domain name incorporating its trademark and owned by another be placed *on hold* and not available to either party until the dispute is resolved. TCHOU's response was to file suit in the name of ISS against EPIX seeking a declaratory judgment of non-infringement of trademark under the Trademark Laws of the United States—the Lanham Act.[5] EPIX filed its answer together with a counterclaim for trademark infringement under both federal and Oregon law and added TCHOU as a counterclaim defendant.

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[3] Petitioner's *Petition*, p. 3.

[4] Petitioner's *Petition*, pp. 47a-49a.

[5] 15 U.S.C. §§1114 and 1125.

Both parties filed motions for summary judgment and attorney fees before the District Court. The District Court granted Petitioner's motion for summary judgment; but, denied attorney fees. The District Court then denied EPIX's motions. Both parties appealed to the Court of Appeals for the Ninth Circuit, which reversed the District Court, vacated entry of summary judgment in favor of Petitioner and remanded the case to the District Court for trial. The Court of Appeals affirmed the District Court's denial of attorney fees to Petitioner. Before trial could commence, Petitioner filed its *Petition For Writ of Certiorari*.

Subsequent to the filing of its *Petition For Writ of Certiorari* on November 30, 1999, Petitioner filed a *Motion To Supplement Petition For Writ of Certiorari* on December 9, 1999. The essence of *Motion* is that Petitioner wishes to challenge the constitutionality of the *Anticybersquatting Consumer Protection Act*[6] that was just signed into law on November 29, 1999. Because the law did not exist at the time EPIX filed its counterclaim, there could not be any cause of action based on that statute. For that reason, neither the District Court nor the Court of Appeals could consider the application or constitutionality of the statute. Upon return of jurisdiction of this case to the District Court, EPIX intends to seek leave of the District Court to amend its counterclaim to include at least one count based on the *Anticybersquatting Consumer Protection Act*.

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[6] Title III, §3001, *et seq.* of the *Intellectual Property and Communications Omnibus Reform Act of 1999* (S. 1948) signed into Law on November 29, 1999.

REASONS FOR DENYING THE WRIT

The Ninth Circuit made two rulings in this case; namely,

- *Because evidence on the record would permit a rational factfinder to find a likelihood of confusion, the district court erred in granting summary judgment to ISS on declaratory judgment and trademark infringement claims;*[7] and
- *Moreover, we find no cause to disturb the district court's factual finding that Epix did not engage in malicious, bad faith, fraudulent, deliberate or willful conduct.*[8]

Petitioner does not challenge these holdings. Instead, it raises ten ancillary questions.

EPIX's reasons for denying the writ are stated under the following ten enumerated headings used in Petitioner's *Petition*.

I. THE FEDERAL COURTS DO NOT HAVE JURISDICTION UNDER THE LANHAM ACT OVER INTERNET DOMAIN NAME REGISTRATIONS.[9]

The question of whether federal courts have jurisdiction under the Lanham Act over INTERNET domain name registrations was never an issue in this lawsuit and was never raised in the lower courts. This lawsuit is about trademark infringement and cybersquatting

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[7] Petitioner's *Petition*, p. 10a.

[8] Petitioner's *Petition*, p. 11a.

[9] Petitioner's *Petition*, p. 4.

through use and ownership of a website that uses EPIX's trademark **EPIX** as its commercial domain name, **<epix.com>**.

Petitioner applied for and received the domain name **<epix.com>** a few days before EPIX, owner of the Registered Trademark **EPIX,** applied for the same domain name. After EPIX and its attorney observed web pages containing statements described above,[10] EPIX mailed a complaint letter to the domain name registrar, NSI, in accordance with NSI's rules requesting that the **<epix.com>** domain name be placed *on hold*. ISS filed suit in federal court against EPIX claiming that its use of the **<epix.com>** domain name did not infringe the trademark rights of EPIX and alleged jurisdiction under the Lanham Act. EPIX did not challenge the jurisdiction of the court.

EPIX filed a counterclaim against Petitioner alleging, *inter alia*, trademark infringement. EPIX claimed jurisdiction under the Lanham Act based upon Petitioner's use and ownership of a website that exploited EPIX's Registered Trademark **EPIX** in conjunction with Petitioner's goods and technology and as Petitioner's domain name. Petitioner did not challenge the jurisdiction of the federal court and the issue was never raised before the District Court.

When EPIX appealed to the Court of Appeals from an adverse decision of the District Court, it alleged jurisdiction under the Lanham Act. Petitioner never raised the issue of jurisdiction in its answering brief, its cross-

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[10] *Supra*, pp. 2-3.

appeal or at oral argument. The issue only arose when Petitioner filed a tardy motion with the Court of Appeals to revise the record in the appeal of a then-pending case in which EPIX was not a party. EPIX responded by averring that it was not a party to the other appeal and noting that the motion was tardy. The Court of Appeals denied the motion.

Because Petitioner never raised the question of jurisdiction before the lower courts in this case, there is no decision or holding appropriate for review. Further, Petitioner frames the issue as a hypothetical question and this Court has consistently refused to issue advisory opinions or to grant a petition unless there is a real case or controversy.

Petitioner attempts to avoid a judgment of trademark infringement on the ground that some of its use of the Registered Trademark **EPIX** occurred in cyberspace rather than in an older type of marketplace. Petitioner's assertion that Federal Courts do not have jurisdiction under the Lanham Act over INTERNET domain names and their uses fails because Congress has passed two amendments to the Lanham Act relating to INTERNET domain names. The first is the *Federal Trademark Dilution Act of 1995*[11] and the second is the *Anticybersquatting Consumer Protection Act*. Congress clearly had authority to enact these statutes under the *Commerce* clause as the INTERNET—and particularly **<*.com>** domain names for commercial INTERNET sites—are matters of interstate commerce.

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[11] 15 U.S.C. §1125(c) (Supp. II 1996) (amending the Lanham Trademark Act of 1946, 15 U.S.C. §§1051-1127 (1994)).

For these reasons, EPIX submits that there is no issue of jurisdiction as related to INTERNET domain names that warrants review here.

II. THE DISPUTE POLICY APPLIED TO DOMAIN NAME REGISTRATIONS BY NSI CONSTITUTIONALLY EFFECTS DE FACTO CHANGES IN TRADEMARK LAW.[12]

The question of the constitutionality of NSI's domain name policy was never alleged, briefed or argued by the parties or decided by the District Court or the Court of Appeals. There is no holding or judgment regarding this question. EPIX had no role in formulating or applying NSI's domain name policy. NSI was never a party to this suit. Even if Petitioner is correct, this suit is not the proper case for deciding this issue. For this reason, EPIX submits that this question does not warrant review here.

III. THE IMPLEMENTATION AND USE OF THE DOMAIN NAME DISPUTE POLICY ARE ACTIONABLE TORTS CHARGEABLE AGAINST GOVERNMENT EMPLOYEES AND PRIVATE PARTIES THAT USE IT.[13]

Petitioner asserts that the implementation of NSI's domain name policy violates its First Amendment *Right of Free Speech*. This assertion is clearly false because it is established law that the purpose of the First Amendment is to constrain government and not private indi-

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[12] Petitioner's *Petition*, p. 6.

[13] Petitioner's *Petition*, p. 8.

viduals and organizations. Clearly, this is a trademark infringement case and not a Civil Rights case. No governmental body is a party to this lawsuit.

Petitioner claims on the basis of a footnote in a District Court opinion[14] that domain names do not fall under the Lanham Act and that *several agencies of government seem to have permitted NSI to arrogate to itself powers over domain names that are prohibited even to the United States.*[15] Assuming these allegations to be factually true and legally relevant (which EPIX does not), there is no allegation that EPIX had anything to do with the adoption or enforcement of any rule published or enforced by NSI. EPIX's only action was to file a letter of complaint with NSI. It was NSI that threatened Petitioner with an action to place the **<epix.com>** domain name *on hold* so that neither party could use it. If NSI's policies are to be reviewed by this Court, then it should be in a suit to which NSI is a party.

Petitioner alleges that *Bivens* actions[16] might lie against governmental officials. Even if this were true, no governmental official is a party to this suit.

For these reasons, EPIX submits that this question does not warrant review.

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[14] *Lockheed Martin Corporation v. Network Solutions, Inc.*, 44 USPQ2d 1865, 1997 WL 732899 n.3 (C.D. Cal. 1997).

[15] Petitioner's *Petition*, p. 9.

[16] Petitioner's *Petition*, p. 10.

IV. FEDERAL COURTS CANNOT PROPERLY INSTITUTE A DOCTRINE OF "INITIAL CONFUSION" AND APPLY IT TO THIS CASE.[17]

Petitioner asserts that federal courts lack authority to define and apply a doctrine of *initial confusion*. The Lanham Act defines

> . . . *use in commerce* [of] *any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive . . .*[18]

as trademark infringement.

Confusion, under the Lanham Act, may be caused by

> . . . *affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person . . .*[19]

Confusion does not have to be *confusion* as to source nor does it have to result in a purchase based upon the *confusion*. *Confusion* comes in many forms that have long been recognized as forming the basis of a trademark infringement action. *Initial interest confusion* is an example of one type of *confusion*.

Confusion was an issue that the parties raised before the District Court. The District Court found in its *Conclusion*:

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[17] Petitioner's *Petition*, p. 11.

[18] 15 U.S.C. §1114(a), Petitioner's *Petition*, p. 37a.

[19] 15 U.S.C. §1125(a), Petitioner's *Petition*, p. 38a.

> *The use of "epix.com" as an Internet address by Interstallar Starship could confuse actual or potential customers of Epix, Inc. initially.*[20]

It then went on to hold that it was possible for a visitor to the **<epix.com>** website to explore further and learn that the site did not belong to EPIX. EPIX filed its Notice of Appeal principally on the ground that once the District Court found that *confusion* existed, there could not be mitigating circumstances as a matter of law and that a finding of trademark infringement must follow. Shortly before the Court of Appeals for the Ninth Circuit heard the arguments in this case, it issued its decision in *Brookfield Communications v. West Coast Video*, 174 F.3d 1036, 50 USPQ2d 1545 (CA9, 1999) that vindicated EPIX's position on the law of *confusion*.

The *Brookfield* decision was based on prior rulings of the Ninth Circuit as well as the Second Circuit's decision in *Mobile Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254 (CA2, 1987). The Ninth Circuit also cited opinions from other Circuits in support of its decision.[21] Petitioner has failed to cite any diversity of opinion between the Circuits on the doctrine of *initial interest confusion* that needs to be resolved by the Supreme Court.

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[20] Petitioner's *Petition*, p. 29a.

[21] See citations at 174 F.3d at 1063-64.

V. INADMISSIBLE HEARSAY CANNOT BE USED TO DEFEAT A MOTION FOR SUMMARY JUDGMENT OF NON-INFRINGEMENT OF A TRADEMARK.[22]

Petitioner asserts that hearsay evidence cannot be used to defeat a motion for summary judgment. There is nothing in the record to support the conclusion that EPIX relied *principally on entirely conclusory assertions concerning computer logs*[23] in presenting its evidence (which EPIX asserts is not true) or that the District Court relied on the evidence in the computer logs in concluding that there was *initial confusion* or that the Court of Appeals relied on alleged hearsay evidence to reverse entry of summary judgment in favor of Petitioner.

If the Court does examine the computer logs, then it will see that the logs are Petitioner's own records kept in the course of a regularly conducted business activity. Such logs or records are not excluded by the hearsay rule under Federal Rules of Evidence, §803(6). Therefore, there is no support for Petitioner's argument that the District Court's ruling was based solely on inadmissible hearsay. These computer logs constitute admissible evidence as admissions by a party under Federal Rules of Evidence, §801(2)(A).

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[22] Petitioner's *Petition*, p. 13.

[23] Petitioner's *Petition*, p. 13.

VI. COMPUTER SERVER LOGS, WITHOUT MORE, ARE NOT ADMISSIBLE TO SHOW LIKELIHOOD OF CONFUSION.[24]

Petitioner asserts that use of its computer server logs as evidence by EPIX, without more, are not admissible to show likelihood of confusion. EPIX presented an affidavit of Dr. Howard M. Dreizen, President of EPIX, Inc., who stated that he examined ISS's computer logs and found numerous instances of records showing that EPIX's customers had accessed Petitioner's **<epix.com>** website. As noted above, the computer logs are Petitioner's records and therefore constitute admissible evidence as admissions by a party. Further, the record contains an e-mail message from TCHOU to NSI complaining about EPIX's customers reaching his **<epix.com>** website and asking whether NSI would be willing to turn off EPIX's **<epixinc.com>** domain name—presumably to lessen confusion by EPIX's customers. All of these documents constitute evidence of actual confusion.

Petitioner, by its own statement, submits that the issue it raises for review is semantic. Be that as it may, it is purely hypothetical in this case. For these reasons, EPIX submits that a grant of certiorari for this question would be inappropriate.

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[24] Petitioner's *Petition*, p. 14.

VII. A MARK IS "ADOPTED" WHEN GOODS OR SERVICES TO WHICH IT HAS BEEN APPLIED ARE PLACED IN COMMERCE.[25]

Petitioner asks this Court to *emphasize again where it is from which trademark right derive* (sic).[26] Petitioner has not alleged that EPIX has abandoned use of its mark. Therefore, the question raised by Petitioner is hypothetical and therefore inappropriate for review.

Petitioner also seeks a review of the Ninth Circuit's conclusion that:

> *Adopting a designation with knowledge of its trademark status permits a presumption of intent to deceive.*[27]

Petitioner describes this statement as *dictum* and therefore it cannot be a case or controversy ripe for review.

VIII. UNDER THE CONSTITUTION, A DEPONENT CANNOT BE ORDERED TO DISCLOSE A TRADE SECRET KNOWN TO BUT NOT OWNED BY THAT DEPONENT WHEN THE ALTERNATIVES THEN BECOME THE COMMISSION OF A CRIME TOGETHER WITH CIVIL LIABILITY OR A CHARGE OF CONTEMPT OF COURT.[28]

TCHOU was a full-time employee of EPIX's largest competitor, INTEL, when ISS filed suit against EPIX. Subsequently, TCHOU left INTEL's employment and

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[25] Petitioner's *Petition*, p. 15.

[26] Petitioner's *Petition*, p. 16.

[27] Petitioner's *Petition*, p. 9a.

[28] Petitioner's *Petition*, p. 16.

became a consultant to INTEL, which was his principal source of revenue. TCHOU testified that he talked to other employees at INTEL about his **<epix.com>** website and that he sought advice from an INTEL attorney about this lawsuit.

EPIX deposed TCHOU and asked him to identify by name, job title and address each INTEL employee with whom he had discussed his ownership or use of the **<epix.com>** domain name and to identify, in particular, the INTEL attorney with whom he met. TCHOU sought to conceal his **<epix.com>** domain name activities while employed at or consulting for INTEL and refused to answer on the basis of advice from his attorney, who cited violation of TCHOU's agreements with INTEL and violation of 18 U.S.C. §§1831-1833.

The District Court, having entered a protection order regarding proprietary information, twice ordered TCHOU to testify. EPIX did not reschedule TCHOU's deposition. Therefore, the issue never came to a head and Petitioner's question remains hypothetical.

For these reasons, EPIX submits that this question is inappropriate for review.

IX. THE PROPER STANDARD FOR IMPOSING ATTORNEY FEES AGAINST A NON-PREVAILING PLAINTIFF IS THAT WRITTEN AS TO NON-PREVAILING PLAINTIFFS (sic).[29]

Petitioner apparently seeks a ruling stating that the standard for applying attorney fees against a non-prevailing plaintiff are the same as those against a non-

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[29] Petitioner's *Petition*, p. 17.

prevailing defendant. In this case Petitioner is plaintiff and has yet to prevail. Therefore, the question is hypothetical. For this reason and because this Court has already decided the issue in *Fogerty v. Fantasy, Inc.*, 127 U.S. 517, 114 S. Ct. 1023, 127 L. Ed. 2d 455 (1994), EPIX submits that this question is not appropriate for review.

X. LITIGATION-RELATED ACTIONS OF A PARTY ARE NOT "REASONABLE" BY DEFINITION SIMPLY BECAUSE THEY WERE CARRIED OUT UNDER ADVICE OF COUNSEL.[30]

Petitioner correctly asserts that it sought attorney fees from EPIX and that EPIX defended itself, in part, by claiming that it relied on advice of counsel. EPIX based its claim on a case first cited by Petitioner[31] in defense of its own infringement that held that a junior user of a mark was entitled to rely on advice of counsel regarding a question of trademark infringement. In this case, EPIX is the senior user of the trademark **EPIX**.

Petitioner's lawyer twice made representations before the District Court that EPIX's counsel had committed acts that constituted unethical conduct. He then withdrew these allegations. Now again, Petitioner's lawyer uses innuendo to accuse EPIX's counsel of not telling the truth.

Both the District Court and the Court of Appeals had ample opportunity to review the conduct of EPIX and

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[30] Petitioner's *Petition*, p. 19.

[31] *W.W.W. Pharmaceutical Co. v. Gillette Co.*, 808 F.Supp. 1013 (S.D.N.Y. 1992).

its counsel. The District Court twice denied Petitioner's claim for attorney fees when it was the prevailing party.[32] Petitioner appealed and the Court of Appeals affirmed the District Court's ruling on the ground that Petitioner was no longer the prevailing party. The Court of Appeals concluded its opinion with the following ruling:

> *Moreover, we find no cause to disturb the district court's factual finding that Epix did not engage in malicious, bad faith, fraudulent, deliberate or willful conduct. We affirm the district court's refusal to grant attorney's fees to ISS.*[33]

Since there is a ruling by the Court of Appeals that *Epix did not engage in malicious, bad faith, fraudulent, deliberate or willful conduct*, there is no need to review the question of whether EPIX was correct to rely on advice of its counsel.

This case has been remanded to the District Court for trial. Because Petitioner is not a prevailing party, the question it poses is hypothetical and therefore inappropriate for review.

CONSTITUTIONALITY OF THE ANTICYBERSQUATTING CONSUMER PROTECTION ACT

As noted in *Statement of Case*,[34] Petitioner will seek permission to challenge the constitutionality of the *Anticybersquatting Consumer Protection Act*. Petition-

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[32] Petitioner's *Petition*, p. 28a and Petitioner's *Petition, Supplemental Appendix*, p. 3a.

[33] Petitioner's *Petition*, p. 11a.

[34] *Supra*, p. 4.

er's December 9, 1999 letter addressed to the Solicitor General states in part:

> *. . . The Petition relates in part to the practices of Network Solutions, Inc. (hereinafter "NSI"), through its so-called "Domain Name Dispute Policy," of using trademark law to interfere with the rights of the internet domain names of its registrants, the gist of the argument being that bare domain names are not "marks" hence there can be no jurisdiction under the Lanham Act in light of the Commerce Clause. Also implicated in that argument are the National Science Foundation (hereinafter "NSF") and its employees that, through a Cooperative Agreement with NSI over which NSF had a responsibility of "substantial involvement," have allowed NSI freely to administer that policy. . . .*

EPIX responds by stating:

- EPIX has not yet alleged a cause of action under the *Anticybersquatting Consumer Protection Act*—although it intends to seek permission to amend its counterclaim for that purpose upon return of jurisdiction to the District Court;
- Neither the District Court nor the Ninth Circuit heard any argument or rendered any judgment in this case regarding the statute;
- EPIX had no part in formulating or applying NSI's *Domain Name Dispute Policy* and none has been alleged by Petitioner;
- EPIX had no contact with the National Science Foundation regarding any domain name matter and none has been alleged by Petitioner; and
- Neither NSI nor NSF is a party to this suit.

EPIX believes that this trademark infringement suit would be an inappropriate case for review of the constitutionality of the *Anticybersquatting Consumer Protection Act*. For these reasons, EPIX submits that the Petition should be denied.

CONCLUSION

Petitioner has presented eleven questions for review. None raise a relevant constitutional question, none are based on diversity of opinion between the Circuits, some address issues not previously pled, briefed or argued below, some involve alleged acts of others who are not party to this suit and most are hypothetical because no order or judgment has been entered against Petitioner. For these reasons, EPIX submits that it would not be appropriate to grant a petition for a writ of certiorari as to any of the questions raised by Petitioner.

Respectfully submitted,

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